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2005 report on selected tax incentives released

OLYMPIA, Wash., Sept. 1, 2005 — The first legislatively mandated report on business use of three major tax incentive programs has been published by the Washington State Department of Revenue.

The incentives include a business and occupation (B&O) tax credit for high-technology businesses that engage in qualifying research and development, a sales tax deferral available to high-tech businesses that invest in research and pilot-scale manufacturing facilities, and a sales tax deferral for companies that build manufacturing plants in rural areas.

In 2004, the Washington State Legislature extended the R&D incentives with amendments designed to give lawmakers better information on the effect of the incentives on capital investment and jobs. Participating businesses must complete surveys that are compiled into an annual report containing summary statistics.

The information from these annual reports will be the basis of two broader analytical reports for the Legislature. The first, due by Dec. 1, 2009, will examine the effects of the R&D and rural incentives. The second, due by Dec. 1, 2013, will examine only the R&D incentives.

Both reports will evaluate the economic impacts in terms of job creation, expansion of R&D activities and manufacturing, diversification of the state economy, introduction of new products, and related factors.

Among the statistical findings of the first annual report:

- The high-tech B&O tax credit has the largest number of reporting participants at 557 taxpayers who claimed \$25.4 million in credits in Calendar Year 2004.
- The largest revenue impact is associated with the high-tech deferral, amounting to \$82.8 million for the 92 firms reporting in 2004.
- The rural county deferral was reported by 256 firms with a total tax reduction of \$58.2 million.
- In general, the participating businesses that paid the highest wages to their employees and offered the most benefits were located in urban counties.

A copy of the *2005 Report on Selected Tax Incentives -- Descriptive Statistics for Calendar Year 2004*, can be obtained in the statistics and reports section of the Department's web site at <http://dor.wa.gov>, or directly at http://dor.wa.gov/Docs/Reports/Tax_Incentives_2005.pdf.

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